

Message Text

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PAGE 01 CARACA 12565 231905Z

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FM AMEMBASSY CARACAS

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E.O. 11652: N/A

TAGS: EGEN, VE

SUBJECT: ECONOMIC TRENDS-VENEZUELA

REF: STATE 277800

1. DISCREPANCY IN STATISTICS (LAST PARAGRAPH P.6) IS CAUSED BY TYPOGRAPHICAL ERROR IN FINAL COPY. PORTION BEGINNING "DURING THE PERIOD 1968-1972", SHOULD BE CORRECTED TO READ AS FOLLOWS:

"DURING THE PERIOD 1968-1972 THE GENERAL PRICE INDEX INCREASED AT AN ANNUAL AVERAGE RATE OF ABOUT 2.5 PCT. IN 1973 THE RATE JUMPED TO 11.0PCT AND FOR THE FIRST SEVEN MONTHS OF 1974 THE INDEX INCREASED 10.2 PCT OR AT AN ANNUAL RATE OF 17.5 PCT. HOWEVER,..."

2. EMBASSY CONCURS WITH CHANGE P.21.

3. EMBASSY WISHES TO AMEND TEXTUAL REFERENCES TO IRON ORE NATIONALIZATION TO REFLECT LATEST DEVELOPMENTS, AS FOLLOWS:

A. PAGE 2,"SUMMARY," THIRD PARAGRAPH, SENTENCE BEGINNING "NEGOTIATIONS ARE CURRENTLY..." SHOULD BE REVISED AS FOLLOWS: "NEGOTIATIONS FOR NATIONALIZATION OF FOREIGN IRON ORE PRODUCERS WERE CONCLUDED IN DECEMBER 1974 AND THE GOVERNMENT HAS ANNOUNCED THAT REVERSION OF THE CONCESSIONS OF OFREIGN OIL COMPANIES..."

B. PAGE 12, PARAGRAPH ON "MINING," THE FIRST THREE SENTENCES WILL REMAIN THE SAME. AFTER SENTENCE ENDING."... LARGE SCHALE EXPANSION OF ITS BASIC STEEL INDUSTRY.", IT SHOULD READ AS FOLLOWS: "IN AGREEMENTS SIGNED DECEMBER 17 THE

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COMPANIES AGREED TO GIVE UP THEIR CONCESSIONS EFFECTIVE JANUARY

1, 1975. ORINOCO MINING COMPANY (U.S. STEEL) WILL BE
PAID ABOUT \$95 MILLION AND IRON MINES COMPANY (BETHLEHEM STEEL)
ABOUT \$21 MILLION THROUGH TEN-YEAR PROMISSORY NOTES CARRYING
SEVEN PERCENT ANNUAL INTEREST. THE COMPANIES ARE ASSURED
MINIMUM LEVELS OF IRON ORE SUPPLIES THROUGH 1981
AND 1979, RESPECTIVELY, VENEZUELA WILL THEREFORE
CONTINUE TO EXPORT SUBSTANTIAL AMOUNTS OF IRON ORE UNTIL SUCH
TIME AS DOMESTIC STEEL MANUFACTURING REQUIRES THE CURTAILMENT
OF IRON ORE EXPORTS." (THE LAST SENTENCE OF PARAGRAPH ON
"MINING" WILL REMAIN THE SAME.)
C. THE FIRST FULL SENTENCE ON PAGE 21 SHOULD READ:
"THE NATIONALIZATION OF THE IRON MINING INDUSTRY AND THE ANTI-
CIPATED TAKE-OVER OF THE PETROLEUM INDUSTRY IN 1975,
HAVE BEEN...".
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